



COUNCIL MINUTES

September 17, 2009

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on September 17, 2009 at 7:31 a.m.

COUNCIL PRESENT

Vice Mayor Kyle Jones
Alex Finter
Dina Higgins
Dennis Kavanaugh
Dave Richins

COUNCIL ABSENT

Mayor Scott Smith
Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

Vice Mayor Jones excused Mayor Smith and Councilmember Somers from the entire meeting.

1. Review items on the agenda for the September 21, 2009 Regular Council Meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest declared: None

Items added to the consent agenda: None

Items removed from the consent agenda: None

2. Hear a presentation, discuss and provide direction on the 2009/2010 Property, Liability and Aviation insurance renewals.

City Attorney Debbie Spinner said that she and Risk Management Claims Analyst Barry Hegrenes would provide an overview of the City's insurance coverage and staff's recommendations regarding policy renewals. Ms. Spinner added that the City's insurance brokers were present in the audience to answer any questions. She displayed a PowerPoint presentation (**see Attachment 1**) and advised that each October the City seeks bids for property, liability and aviation insurance renewals that are effective in November. Ms. Spinner stated that staff is seeking Council direction regarding the amount of coverage, deductibles and self-insurance levels.

Ms. Spinner stated that the Property and Public Liability Trust Fund, authorized by the City Charter, is funded by the City's General Fund and pays for liability claims, attorney's fees, litigation costs, and insurance premiums. She referred to a chart (see Page 3 of Attachment 1)

that provides a history of City's insurance premium costs. Ms. Spinner displayed a chart titled "Liability Claims and Cases Paid" (see Page 4 of Attachment 1) and explained that a significant settlement in each of the highest years accounts for the fluctuation.

Ms. Spinner advised that the City presently has Excess Liability insurance coverage in the amount of \$35 million above the City's self-insured retention (SIR) amount of \$2 million. She advised that staff's recommendation is to maintain the SIR amount of \$2 million and seek bids for a policy limit per occurrence of \$35 million and \$45 million, which would be presented to the Council for consideration.

Addressing the issue of Property insurance, Ms. Spinner reported that the City's property assets of approximately \$730 million are covered by a policy that offers coverage of \$200 million per occurrence with a \$50,000 deductible. She stated that staff recommends that the City obtain quotes for deductibles of \$50,000 and \$100,000 with policy limits (per occurrence) of \$250 million and \$300 million. Ms. Spinner noted that the City's insurance brokers recommend that the coverage per occurrence be increased for next year in order to adequately insure the City's assets.

Ms. Spinner stated that Airport Liability insurance covers third-party liability claims arising from Falcon Field Airport operations, such as someone injured as a result of a fall in the terminal and property damage or personal injury as a result of improper runway maintenance. She advised that the current coverage provides \$50 million per occurrence without a deductible. Ms. Spinner reported that last year the City's request for a quote that included a \$1 million deductible resulted in a negligible difference in the premium. She stated that staff recommends requesting quotes for policy limits of \$50 million and \$100 million per occurrence with no deductible.

Ms. Spinner explained that Aircraft Hull insurance covers the City's aircraft and Aircraft Liability covers third party liability claims arising from aircraft operations. She reported that the current policy limit for Aircraft Hull insurance is the stated value of the aircraft per occurrence with a deductible of \$25,000 when in motion and \$1,000 when not in motion. Ms. Spinner stated that the current Aircraft Liability coverage is \$50 million per occurrence without a deductible. She advised that staff's recommendation is to request quotes for Aircraft Hull coverage based on the current policy limits and for Aircraft Liability at \$50 million and \$100 million per occurrence with no deductible.

In response to a question from Councilmember Richins, Mr. Hegrenes explained that an aircraft is considered to be "in motion" when the engine is running. He added that a parked aircraft blown off a runway during a storm is considered to be "not in motion."

Vice Mayor Jones said that the Council would decide on coverage levels when staff presents the quotes for consideration.

Responding to a series of questions from Councilmember Finter, Budget Director Chuck Odom advised that the Property and Public Liability Trust Fund has a target of \$12 million in the event of a year with high claims. He stated that the budget allocation to the fund is typically \$3 million to \$4 million annually.

Ms. Spinner explained that when the City receives a claim that creates a potential liability to the City, a reserve is set aside by identifying a certain portion of the Trust Fund for payment of the claim. She added that an actuarial review based on claim history is conducted by an outside firm to project the amount of the Trust Fund that should be set aside to address future claims.

City Manager Christopher Brady noted that a claim filed in one year may be paid several years later, and he stated that the Trust Fund requires a sufficient reserve to pay claims in the current year in addition to setting aside funds for anticipated payments in future years. He said that the annual actuarial study provides the data that determines the appropriate amount to set aside in that year.

Mr. Odom advised that the administrative staff expenses related to the self-insurance fund are included in the Trust Fund.

Vice Mayor Jones thanked staff for the presentation.

3. Hear reports on meetings and/or conferences attended.

Councilmember Kavanaugh:	Arizona State University Planning class regarding their class project for the Fiesta District.
Councilmember Finter:	District 2 Building Strong Neighborhoods Event.
Vice Mayor Jones:	Memorial service for Balbir Singh Sodhi who was killed in Mesa shortly after 9/11.
	Light Rail Transit Board Meeting.

4. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Monday, September 21, 2009, 3:30 p.m. – Public Safety Committee Meeting

Monday, September 21, 2009, 4:45 p.m. – Study Session

Monday, September 21, 2009, 5:45 p.m. – Regular Council Meeting

Tuesday, September 22, 2009, 6:00 p.m. – Conversation with the Mayor at Dobson Ranch

Thursday, September 24, 2009, 7:30 a.m. – Study Session

Thursday, September 24, 2009, 9:00 a.m. – Audit & Finance Committee Meeting

Saturday, September 26, 2009, 9:00 a.m. – National Emergency Preparedness Event

5. Items from citizens present.

There were no items from citizens present.

6. Adjournment.

Without objection, the Study Session adjourned at 7:48 a.m.

KYLE JONES, VICE MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 17th day of September, 2009. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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Attachment (1)